

ORIGINAL

EXCEPTION



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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

KRISTIN K. MAYES - CHAIRMAN

GARY PIERCE

PAUL NEWMAN

SANDRA D. KENNEDY

BOB STUMP

2010 JAN - 8 1 P 4: 13

AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

JAN - 8 2010



IN THE MATTER OF THE APPLICATION OF)
 UNS ELECTRIC, INC. FOR APPROVAL OF ITS)
 RENEWABLE ENERGY STANDARD AND)
 TARIFF IMPLEMENTATION PLAN.)
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DOCKET NO. E-04204A-09-0347

UNS ELECTRIC, INC.'S
 EXCEPTIONS TO THE
 RECOMMENDED
 ORDER

UniSource Electric, Inc. ("UNS Electric" or "the Company") through undersigned counsel hereby files its exceptions to the proposed Recommended Order submitted by the Staff of the Arizona Corporation Commission ("Commission") in this docket as follows:

The proposed Recommended Order recommends immediate approval of the vast majority of UNS Electric's Renewable Energy Standard Tariff ("REST") Implementation Plan ("the Plan"). The proposed Recommended Order also recommends that the Purchased Power Agreement ("PPA") be approved in a bifurcated proceeding rather than at this time.

UNS Electric concurs with the proposed Recommended Order's approval of the recommendations related to the Plan. However, UNS Electric does not support bifurcation, as the Company believes that the requested approvals are necessary to ensure current and future compliance with the REST. As previously stated, financing for the PPAs is contingent upon Commission approval of these transactions.

Notwithstanding the Company's objection, if the Commission determines that bifurcation is necessary, UNS Electric respectfully requests that the approvals be granted no later than March 1, 2010 for at least the following reasons:

1. UNS Electric's future and current REST compliance is dependent upon timely approval of the project, and the Plan contemplates timely approval of the project in order to meet the REST requirement. In order to meet the Commission's REST rules, this renewable project needs to be approved so that UNS Electric can proceed with the ground-breaking of the project. Due to the time necessary to implement the project and place it in service, if the project cannot proceed in the immediate future, UNS Electric will be forced to meet its future REST requirements through short-term transactions. UNS Electric's stated preference is to participate in projects that will result in new renewable facilities in that State.
2. The viability and cost of the project are negatively impacted by a delay in approval. Significant time and effort has been expended by the parties in the project negotiations. The project has targeted milestone dates that could be significantly impacted with any further delays. Additionally, the contract agreement under consideration has clauses that would allow the renewable developer to opt out, which could result in either re-negotiation, including price, or termination of the contract, effectively starting the process over. Further, significant delay could jeopardize the renewable energy project as the project has to obtain certain milestones, including ground breaking, in order to qualify for Federal Tax credits.
3. A delay in approval will send the wrong signal to renewable project developers. Renewable developers participate in UNS Electric's request for proposals ("RFPs"). Once TEP evaluates and analyzes the proposals, UNS Electric may select one or more projects and then begin PPA negotiations with the associated parties. After these negotiations are completed, UNS Electric and the affected party will enter into a PPA, which is subject to regulatory approval. If the regulatory approval process includes bifurcation and the associated delay, then

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